

APPENDIX A
PROJECT DESCRIPTION
SAVANNA FARMERS MARKETING COMPANY OAG

I. Introduction

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

Savanna Farmers Marketing Company (SFMC) helps farmers in the Northern, Upper West and Upper East Regions of Ghana market the region's main cereal products (groundnuts, sorghum, soybeans). SFMC's vision is to: (a) operate a supply chain providing inputs to small farmers and buying their produce; (b) add value by aggregating, cleaning and packaging the grain; and (c) then sell the produce to large processors. This vision responds to many of the problems the farmers face in attempting to produce cash crops -- lack of inputs, lack of access to markets, and inability to add value to crops. However, SFMC's challenges in implementing this approach include the price and volume risks, and the need to coordinate farmers. SFMC needs to explore best practices, market trends and other risk management tools in order to position itself for expansion.

III. Funding

A. ADF Contribution

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not make ADF's contribution to exceed the obligated amount specified in Article 3, section 3.1 of the Agreement.

B. Grantee Contribution

The Grantee will contribute the time and labor of its employees.

IV. Project Goal

The goal of the OAG is to increase the income of poor farmers in the Northern, Upper West and Upper East Regions of Ghana.

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V. Project Purpose

The purpose of the project is to improve the Grantee's prospects for sustained expansion as indicated by the development of a comprehensive five-year business plan that ADF deems suitable for funding by a donor or other financial institution.

VI. Project Outputs

- A. A plan to effective governance of SFMC, and to transition from donor support to independent existence that:
- considers the interests of farmer-members and principles of good governance for co-operatives; and
 - recognizes the current level of support of donor organizations and develops a plan to replace that support when SFMC transitions to independent existence.
- B. A blue print for a proposed business model for SFMC that:
- takes into account weather and market risks;
 - considers the lack of risk-hedging mechanisms;
 - reflects the structure of the grain market in Ghana; and
 - integrates the interests of smallholders, processors, and other relevant stakeholders.

VII. Major Activities to be financed under the Agreement

- A. Governance and business structures

SMFC will recruit consultants and advisors knowledgeable in co-operative governance to design a plan to transform the company to a farmer-owned organization.

- B. Research and design of a proposed business model

SFMC will conduct market and best practice research using consultants and advisors knowledgeable in grain marketing, commodity risk management, and grain market supply chain.

- C. Business plan development

SFMC will hire a consultant to prepare a business plan and financial model. Savanna will also engage in market development activities including prospecting for clients.

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VIII. Roles and Responsibilities of the Parties

ADF's Partner in Ghana (INPRODEC) will provide the necessary standard ADF training in bookkeeping, monitoring and assessment

SFMC is responsible for ensuring the proper management and implementation of the Project. The ADF Partner in Ghana (INPRODEC) will provide SFMC with technical and management assistance during the implementation of the project.

IX. Monitoring and Evaluation

INPRODEC will closely monitor the activities of SFMC to ensure proper reporting, adherence to the project implementation plan by the Grantee and movement towards the achievement of project objectives. The Partner will continuously assess the project risk and take remedial actions as needed. Monitoring by the Partner will be an important aspect of the ongoing coaching and advisory service. The Partner will review SFMC's quarterly reports and will submit comments and observations to the management of SFMC as a part of the annual project evaluation. The two organizations will jointly design the evaluation process and SFMC will incorporate the findings of the evaluation into their annual report.

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